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Thompson, Allison John

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The relation of Production, Consumption *and* Buying-Power *to Supply and Demand*

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RANDOM THOUGHTS

by ALLISON J. THOMPSON

Jan. 20, 1931 LA Hse

The Relation of Production, Consumption *and* Buying-Power to Supply and Demand

THE wants of a civilization represent a mighty force, reaching out to procure those things which are required for its various activities, its comfort and its happiness.

The supplying of those wants through production, transportation, marketing and countless forms of service is another force or activity which naturally develops in response to the demand thus created.

It is through the operation of this latter force, not only in providing the things and the services required for current use and occupation, but also for the replacement occasioned by consumption, wearing out and destruction, that the masses are furnished with a daily recurring market where they may exchange their effort and skill for whatever may be essential or desirable to satisfy their own wants. Facilities for such exchange are fundamental to the growth and development of civilization.

As the economic phase of civilization is supported by three elementary factors which have much to do with supply and demand, it will be well to examine some of their characteristics. Those three factors are: (a) production, service and exchange; (b) use and occupation, together with consumption, wearing-out and destruction; and (c) active buying-power. These three factors are inter-dependent, each being as important as either of the other two, and the economic prosperity of the masses will increase, or it will decrease, in proportion to the activity of all three factors in approximate harmony or balance with each other.

The flow of buying-power becomes an impelling force which stimulates production, so far as it provides a prospective market; and production and consumption in turn tend to induce the flow of buying-power. We are thus brought into a rotation of natural impulses which vitalize and nourish a civilization.

The flow of buying-power may be constructive, as above indicated, or it may be destructive—as when people are obliged to sell securities at a sacrifice on a falling market. The flow of buying-power thus

occasioned will be more likely to cause a curtailment of economic activities than to induce new production. It may be regarded as a flow of buying-power back into oblivion. It is not a loss of actual wealth, to be replaced by the future work and savings of the people, except on the part of those who sell at lower prices than they pay; to other people it is only a loss of potential wealth, which they might have had if they had sold at the high prices. The buying and selling which occurs in the course of the decline represents a redistribution of such wealth as remains. Just as it does not matter how low prices go if one does not sell until after they go up again, so it does not make any difference how high they go if one does not sell until after they have come down again. His actual wealth is not affected until he sells.

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Production will not always be stimulated by the constructive flow of buying-power. For example, when some people have acquired sufficient resources to enable them to live in accordance with their conception of comfort and happiness they will relax their productive effort.

Some will reach that point at a lower level than others. It is amazing to find what a low level will satisfy some people. Many may wish they could have a higher level, if it did not involve any additional effort, self-denial or discipline.

People might be a great deal better off if they took better care of what they do get. It seems a pity to see people work hard to get something, and then waste it in such a way that they get very little substantial good out of it.

While prosperity will spur some people on to redoubled effort, yet it is probable that most people are not likely to do a great deal more than they have to do in order to accomplish their purpose. This is in harmony with the theory that action and reaction are equal—and that the effort will balance with the desire.

Production and Service

Production, in the sense in which it is here used, is not an all-inclusive term, and must be supplemented by the term 'service', which is one of the most important and essential factors entering into the supplying of human wants. Just as it

has been said that the universe is made up of matter and motion, so the economic wants of civilization have to do with commodities and service. It is obvious that service is the motive power required to manipulate materials and ideas, and to supplement or control other forces related to the supplying of human wants. It is that form of action or application of force which forms, transforms or transports things or conditions so as to make them suitable and available for human use.

Labor and service are in a sense synonymous, and it has become more or less popular to think of them in terms of the work done by the wage-earner—yet we must recognize that in our modern civilization, service has developed into many kinds, and has a very broad range of application embracing mechanical power, animal power, man-power and brain-power—as well as the power of human influence.

A legislative lobby, or other activity calculated to mold public opinion, or public sentiment, would be an example of a service in the form of 'human influence'.

Service in all of its various phases, aside from that represented by the labor of the wage-earner, has had such a marvel-

ous development that the work now performed by the wage-earner is becoming daily less and less in comparison with that which is done by means of mechanical power and equipment, and by new processes.

Private Enterprise

It will be observed, also, that these new developments are providing multitudes of new opportunities for economic activity not only on the part of the wage-earners, but also in the ever-expanding field of private enterprise—extending through agriculture and the industries, commerce and finance, transportation and communication, and a long line of professional activities.

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It may be assumed that almost everybody starts his career as a wage-earner of some sort, but it is not at all essential that one should always remain a wage-earner in a country where there are so many opportunities and incentives for engaging in private enterprise; and it will also be observed that in multitudes of instances the wage earner after embarking in private enterprise sooner or later becomes an employer of labor on his own account.

Private enterprise may take the form of individual, group or corporate service. Any of these forms of service, or combinations of them, may become the subject of exchange between people, and therefore will come under the operation of the broad principle of supply and demand, except where sentiment or the emotions sometimes serve to bring about a shifting of otherwise natural conditions, so as to promote, or defeat, the ever-varying purposes and interests of mankind.

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When we turn our attention to the number of private enterprises in and about such places as New York, Chicago, Philadelphia, Los Angeles, Detroit and Cleveland, and along through the hundreds and thousands of cities, towns, villages and country crossroads activities throughout the length and breadth of the country—and including the vast extent of agricultural, mining, exploration and research activities—we find private enterprise rolling up to stupendous proportions alongside of the activities of those people who may be classed more strictly as wage-earners.

Outside of certain governmental activities, federal, state and municipal, wage-earners have to get their living out of the activities of private enterprise. Then, as we pursue the thought a step further, governmental activities also have to be supported out of private enterprise. So, if employment is to flourish, private enterprise must flourish also. The two are, to a very great extent, dependent upon each other.

Wealth--or Buying-Power

Without going more deeply into the subject at this time, it is largely through the daily activities of the people engaged in an infinite variety of production, service, distribution and exchange—growing out of every conceivable form of enterprise—that the buying-power or wealth of the masses is created and replenished in the hands of individuals and groups.

It is only because a civilization demands such a stupendous amount of work or service of every kind and character that so many people are able to procure the buying-power which enables them to participate so extensively in the comforts and joys of civilized life. It is apparent,

therefore, that work is one of the greatest and most fundamental factors in civilization.

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While nature provides so lavishly for the wants of mankind, yet man must do whatever has to be done in order to avail himself of the things which he desires. Some people have to do more than others, due to the relation of their ability, temperament, characteristics and reaction to their environment and the trend of the times. Their environment or circumstances may be such that their economic requirements are being provided for by somebody else—but 'somebody' must do whatever has to be done in order to secure nature's co-operation. Nature will help man to accomplish his purpose as long as he does the right thing at the right time and in the right way.

While undoubtedly there is enough for all—yet it may not be expected that all people are going to perform the economic functions necessary to procure the things which they need and might have. It is one thing to obtain and another thing to retain and enjoy—using

enough, but not too much, thereby conserving for his future use those resources which he can readily spare today.

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All down through the ages people have been longing for and dreaming about a time and a condition of existence in which man would be able to live without working. But the process of 'living' involves the process of 'consuming'; and to support that process it becomes necessary to search out and to gather, manipulate, combine and utilize various elements in nature. This in the elementary sense is 'production'. It is apparent that production and consumption are the first essentials for the existence of human life. Hence it becomes necessary for man to participate in such economic activities as may be available, where and when they occur, in order that he may provide necessaries, comforts or luxuries for himself and for those who may be dependent upon him, unless it should happen that somebody else is taking care of his economic responsibilities for him, or to such extent as he may be carried along by the trend of the times.

This same principle applies to every living being, whether belonging to the race of man or to some other phase of animal existence.

To such extent as opportunities for such activities are not developed, or, being developed, are withheld—then the more slowly will the people be able to progress.

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During the past few years enough people have been working, serving, producing and exchanging—thereby acquiring money, which they have been spending for a multitude of different purposes which have created economic activities for other people, so that there has resulted a prosperity never before equalled in this Country. This resulting prosperity has been wide-spread because the spending has been wide-spread for things which have been consumed, worn out or destroyed, or otherwise taken out of the market, or for passing comforts, pleasure, entertainment, education, travel, etc., or the money has been paid out in taxes or in aid of public enterprises, or for the support of charities and philanthropies of various kinds. It is only because the

process has been carried along on such a large scale that general prosperity of so great a magnitude has been possible.

It is somebody's incentive to buy that inspires someone else's incentive to produce, serve and exchange, as has been so wonderfully exemplified in the case of the automobile, motion pictures, radio and the long line of household conveniences, commercial and production facilities, etc., which induce a desire to possess, together with facilities for acquiring the necessary buying-power. Thus the three basic economic factors co-operate to promote the prosperity of the masses through supply and demand.

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It has been said that millions of people in China are on the ragged edge of starvation, obviously because they do not have the resources with which to buy the wheat which is so plentiful in other parts of the world. It would seem that in China there is not enough demand for production and service to provide the incentive for a degree of private enterprise which would enable the masses to live on a scale comparable to that in certain other countries. That is to say,

there is not enough activity in the three basic economic factors to provide a well rounded support for the population.

The greater the opportunities and the incentives for private enterprise in any country the larger population that country will be able to support. As a rule, people will take care of themselves through production, service and exchange wherever they find an adequate market, among themselves or elsewhere, for such activities.

Demand

Demand is the great force which inspires and sustains all of these activities. If there were no demand, there would be no wealth, for no product and no service, in its economic sense, will ever have any actual or concrete value unless it can be marketed or exchanged. Demand by itself however is not enough to constitute a market, for both supply and demand may exist side by side without being able to satisfy each other through the process of exchange. Millions of people have wants which cannot be gratified for lack of the

necessary buying-power to serve as a medium or flux for completing the exchange between supply and demand. Hence effective demand will be found only where the want is in conjunction with the requisite buying-power—or where the want will stimulate the production orcreation of the necessary buying-power.

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The source of demand is grounded primarily in such elementary necessities as food, clothing and shelter, from which, inspired by the emotional characteristics of human nature, it may grow and expand like the boughs which give grace and character to a tree. The emotional attributes of human nature play a substantial part in the development of economic activities.

Millions of dollars are spent annually for emotional purposes, ranging through charity, welfare work, and social, religious and political projects. The holiday trade, in all of its phases, is a very large factor contributing to the flow of buying-power, and the consequent promotion of com-

merce; and so with weddings, funerals, ceremonials, monuments, public works and enterprises of various kinds founded upon civic pride. Every dollar spent for relief or protection of people in adversity—the victims of disaster, as in the case of fire, famine, flood, earthquake or epidemic of disease—becomes a contribution to economic activities inspired by human emotions.

The sentimental or emotional demand is the biggest and most far-reaching form of demand in a civilization. If nobody ever spent a dollar except upon the basis of reason, strict economy or necessity, then current business would be insignificant in comparison with its present volume. Commercialized sentiment is a wonderful producer of business for the general public. If it were not for the profit involved, it may be morally certain that many people would have very little interest in certain philanthropic, civic or kindred enterprises growing out of sentimental or emotional motives; and a vast number of people would miss certain comforts and pleasures that come to them only by virtue of what may be very appropriately termed 'commercialized sentiment'. So, it is apparent that commercialized sentiment is not

altogether an evil. It has an element of value not only because of the resulting advantage to its beneficiaries but also for its contribution to the economic activities of the community and of the nation—even though it sometimes operates as a hardship upon those individuals or groups whose resources are consumed or wantonly reduced by the process. In that sense it becomes a form of waste. It has been estimated that there is an annual waste of ten billion dollars in the United States. But we should remember that the elimination of waste automatically curtails consumption, and thus reduces the market for productive effort, restricting, to that extent, the flow of buying-power. Anything which retards the flow of buying-power into the hands of the masses will retard their economic welfare.

Then it may be assumed that if there had been no waste whatever, there would have been ten billion dollars less business done per year. As it is largely through the replacement of waste that a nation or a civilization is nourished and supported, the loss of such a volume of business would make a sizeable difference in the prosperity of any nation, as the business

of the world is now constituted. Some forms of public waste will create business opportunities for various individuals or groups.

The waste which passes through the garbage can, is a private waste, destructive to the interests of the individual who does the wasting—he had to buy just that much more to take the place of what was wasted, and the market was increased by just that much—certain portions of the general public were furnished with that much more business from which they made a profit as it passed through their hands—added that much to their prosperity. Waste has the effect of increasing such markets as are called upon to replace whatever has been wasted.

The evil of that sort of wasting—if there is any evil involved—will depend upon the economic status of the person who does the wasting. There will be no argument about some people being in far better position to waste than others.

Here it becomes essential to distinguish between the individual—or his group—on the one hand, and the general public on the other. Whatever the individual

spends passes on to benefit somebody else, who proceeds to spend it over again, and so on it goes out into that great body which we call the public.

Fancy is also a very subtle and potent factor contributing to economic activity and the consequent flow of buying-power, where the necessary resources are available. Fancy is difficult to control—and money does not remain long in weak hands. This will help to account in a measure for the great diversity in so-called 'distribution of wealth'.

Sales Promotion

In addition to the natural or normal demand—as for necessities and the ordinary comforts—together with all of those things which, of themselves, have a natural fascination or appeal, inducing a 'desire to possess'—there is an artificial demand, induced by another force in the form of sales promotion, or stimulation of buying interest.

Indeed, that artificial stimulation of buying interest, along with the development of so many things which of themselves have a natural appeal—things which primarily appeared as conveniences or luxuries, but eventually became neces-

sities—has proceeded so far, and has developed into such a large proportion of the business of the Country, that if the masses should lose their interest, for example, in the automobile and its allied equipment and activities, and if they should lose their interest in the radio, motion pictures, and the vast array of household and commercial conveniences—there would follow an economic or business reaction withering and cataclysmic in its effect upon prosperity. The wealth of the Country would waste away like snow exposed to the summer sun, unless there should develop something else which would induce a similar flow of buying-power through production, service and exchange to take their place.

All of these forms or phases of demand are more or less overlapping and so related that it may not always be easy to distinquish between them. Thus the whole process becomes bewilderingly inter-woven, and like the growth of any organism continues to develop as the various parts go on supplementing each other.

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The power of sales influence in market development is one of the most impor-

tant forces or factors in economic prosperity. The creation of a market may be as much of an art as the development of production, and in itself it becomes a phase of business. The development and growth of advertising has been going forward by leaps and bounds, and its influence has constituted a very large contribution to the flow of buying-power—promoting general prosperity.

Market development and enlargement is constructive, and calls for a higher degree of economic genius than either arbitrary interference with the normal flow of supply, or mere destructive price-cutting to get current business away from a competitor. There is a difference between developing a market, and merely looking around to discover such demand as already happens to exist, or nosing into a market which has been already developed by someone else.

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There will be natural limitations with respect to market development. Large, active and profitable markets may be created and may go on developing just as the drifting sands pile up in the desert, until they reach the crest, where they

may remain until swept away by such new or subsequent forces as may be brought to bear upon them.

Just as there is a difference in cycles as between the rise and fall of the waves on the ocean, and the movement of the sand on a desert—due to difference in mobility between water and loose sand—so there are differences in cycles with respect to human activities and relations, due to differences in respect to human characteristics and environment.

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To such extent as mass production in conjunction with mass distribution overreaches demand, prices will be low. When demand develops faster than supply, then prices will advance.

It will not be profitable to expand production too far beyond the ability of the market to absorb it. The same will be true of 'production facilities'—unless the market can be developed within a reasonable time so as to absorb the increased production.

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When a business is to be carried beyond the supplying of things which people

have to have as a matter of necessity, or which they want on their own account, its further growth must be cultivated—involving all that the term may signify; and sometimes sharp bargaining and heartless exactions will be subordinated in some degree to more subtle methods designed to create a favorable attitude of mind on the part of the other person.

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Intensive or high-pressure selling has been so wide-spread, and applied to so many things, that the artificial demand thereby created for production, distribution and various forms of service has been a substantial factor in bringing about and sustaining the marvelous prosperity which the people of the United States have been enjoying.

Without such a stupendous demand the mass production could not have been supported, and without the mass production it would not have been possible for prices to be so low. Prices are normally at the point of balance between production or supply on the one hand, and demand on the other.

It is quite possible to stampede people in peace as well as in war, through an appeal to, or by an attack upon, the emotions. The principle is employed in sales promotion, and in various commercial and industrial activities, as well as in the support or suppression of political issues. It is the stimulation of demand that makes a business grow beyond the supplying of necessities.

Sales promotion may range from subtle persuasion in various forms, to browbeating coercion—from straight-forward honesty and good faith to various forms of deceit.

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But when intensive selling is over-done resulting in the abnormal expansion of some line of business, it may become necessary for that business later on to wait, and mark time, until the slack can be taken up, so to speak, by the trend of the times, before another period of prosperity can develop in that particular branch of industry or commerce. It naturally will have its effect also upon other lines of business, which may or may not have prospered in the earlier activities. So, when people complain about the slowing down of business, it may be that they have

already had and enjoyed the prosperity which was coming to them out of the current trend of the times, and which might otherwise have been spread out over a longer period.

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Both the buyer and the seller sustain a dual relation toward supply and demand. Generally speaking, the buyer creates a demand for commodities or service, and in turn supplies the buying-power which the seller desires to acquire. On the other hand the seller supplies commodities or service in order to satisfy his demand for buying-power. Each would have to depend upon more primitive methods, and would be relegated to a lower scale of existence but for the advantage which ordinarily grows out of the exchange of things which we have for others better suited to our wants.

The profit which is made from the interchange of supply between the buyer and the seller is a substantial factor in the production of wealth in the hands of the people.

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While that old saying to the effect that "one man's gain is another man's loss"

will be true, in some instances, yet as applied broadly to the economics of the masses, it obviously is a fallacy. For example, let us suppose that a man thinks he would be happier if he had a porch or veranda added to his house—whereupon he buys the necessary material, and employs a carpenter to do the work. When the job is completed the owner will have exchanged a certain sum of money for the porch. Moreover, the building of the porch may have added far more than its cost to the value of the property. The owner is benefited by having the porch which he wanted, and also by the added value to his property.

The people who sold the material will have made a profit out of the transaction—and the carpenter will have converted his effort and his skill into money with which to buy the things which he wants. Everybody will have gained, and nobody will have lost anything. The carpenter's effort and skill had only a potential value until they were exercised and sold. If the porch had not been built then obviously that particular market for labor would never have come into existence.

It was the impulse to have the porch that gave birth to the demand for materials

and labor enabling those other people to acquire what to them was new buying-power; and it was the carrying out of that impulse that added new value to the property affected. It is the supplying of what somebody wants—regardless of why he wants it—that supports the economic activities of a nation, and enables the building up of the wealth of the masses.

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Anything which induces new production and gets it marketed and paid for will promote business welfare on the part of the masses, though it may be a waste of resources so far as the individual is concerned. Whether a product is used as a necessity or as a luxury, or is wasted, will be of little consequence so long as it is paid for, consumed and replaced by a new product. It is the use of things, rather than their conservation, which inspires new demands and creates new business from which the general public will profit. The so-called idle rich are among the very substantial contributors to the flow of buying-power, thereby helping to support the multitude of activities involved in industry and commerce.

Manipulation of Conditions

As the manipulation of conditions is a natural function of the human mind, it must be expected that it will find expression in the various phases of production and distribution. Like any other force, it may be constructive and useful, or it may be destructive and oppressive. There is perhaps more of a temptation to abuse it than any other force—it will be as natural for the buyer to manipulate the market downward as for the seller to manipulate the market upward.

Obviously, therefore, the trend of prices will be controlled by the artificial, or trade condition, rather than by the natural condition, of supply and demand; and there may be a vast difference between the two—for example, no matter how great a supply of either commodities or service may be in existence yet if it is withheld from the market the trade condition will be the same as if the supply did not exist.

This is something which should be borne in mind by those who contend that the law of supply and demand should have no place in our economic relations. And we do hear such expressions from time to

time from certain people who would like to correct the inequalities of human relations by ignoring such fundamental principles as may interfere with their purpose. Along with the vicissitudes of nature we always will have vicissitudes of human relations and conditions, where people individually and in groups will be seeking to adjust themselves to the ever-changing and over-lapping cross-currents of human interests and activities.

It probably is true that most of the trouble with respect to human relations can be traced to the great variety of misfits among people—on either or both sides—rather than to any fault of the principles upon which our economic and social activities are operating. It is what people do, or refrain from doing, that brings comfort and happiness, or sorrow and distress, to themselves and to their fellow-beings.

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The relation of supply and demand is as fundamental as any law or condition in nature—like the balancing of any two forces or impulses; and like the waves of the ocean these two forces will rise and fall with respect to each other, supply

always seeking to balance with demand, or to augment demand so that it may absorb an increasing supply. Obviously it is a law of nature as applied to human relations, and forms the basis of our entire economic system of producing and exchanging to meet the wants of civilization.

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Constructive manipulation of supply and demand would be that which serves to promote the welfare of the masses, along with the welfare of the producers and distributors. The preservation of a surplus supply against a probable future shortage would be a form of constructive manipulation, beneficial to the public welfare, provided no inconsistent or unwarranted advantage is taken with respect thereto. On the other hand, the wanton and malicious destruction or hoarding of foodstuff by traders for the purpose of compelling the public to pay high prices is a destructive form of market manipulation.

It is the wanton abuse, or the malicious or ignorant misuse of commodities or services, forces and resources which may require, from time to time, a degree of control in order that people may not be

subjected to too much unnecessary or unwarranted hardship or distress.

Ideal conditions are greatly to be desired. We may strive for them, and thank Fortune for the degree in which they are achieved—but it is not in the province of man to have them everywhere, all of the time, because human activities cannot be generally calibrated to mechanical or scientific precision.

Competition

The process of balancing supply and demand naturally develops competition, which may occur between the buyers as well as between the sellers of both commodities and service—where demand competes for the supply, or where supply competes for the demand.

Although competition may have a more or less destructive influence upon the fortunes of various individuals and groups yet its normal tendency will be to equalize or balance supply and demand, and thus it forms a basis for the establishment of prices, and becomes a stabilizer of human relations so far as it prevents people from taking undue advantage of each other's

necessities, and so far as it safeguards against various abuses which in so many instances have accompanied a monopoly or combination.

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When prices for commodities or for service appear to be high, or appear to be low, it is as likely to be due to an unbalanced condition with respect to competition, among either buyers or sellers, as to an unbalanced condition in the matter of supply and demand.

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There are competitive conditions, however, which tend to make prices very unstable, and to disrupt the orderly trend of business, where certain individuals, groups or organizations ignore or over-ride the principles of civilization in an endeavor, through unjustifiable cutting of prices, to break down their competitor's market position for the purpose of capturing his business—obviously an example of the barbaric spirit. There appear to be a great many people who feel they cannot be happy unless they can get all of the business in their line—all of it—regardless of anybody else's normal rights or interests

—and whether or not anybody else has a chance to live.

Inordinate and over-reaching avarice and conceit have occasioned the downfall of many a business, social, political and domestic relationship.

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Competition may have a constructive influence in behalf of competitors—that is to say, there is unquestionably a positive and substantial benefit to be derived from the cumulative efforts of a number of people engaged in any certain line of industry or commerce. I feel I would be far better off if I had a little more genuine competition. There would be more people talking about the product all over the country, more of it used, and more business for everybody.

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In the manufacture and distribution of reflectors for industrial lamps, as a random example, we find an industry which is highly competitive—to the point of being very distressing to many of the people engaged in it; but through the efforts of all of the competing interests, each in his own behalf and in his own way, a stu-

pendous demand or market has been developed, from which each manufacturer and each distributor is drawing, from day to day, such volume of business as he may be able to secure. The portion going to each one will be subject to a current variation depending in many instances upon other factors than price—such as the quality of his product, its adaptability to the needs of the trade, his market position, his marketing ability, etc. Furthermore, it may be presumed that had it not been for competition the business would not have grown to such a magnitude. The same thing will be true in many other lines.

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In some lines of business there are forms of competition which because of their impersonal characteristics are, if anything, more formidable and drastic than competition among people—as where somebody finds himself in competition with economic, social or political conditions such as are brought about by changing fashions, or as a result of laws, or the introduction of new equipment or where combinations and mergers have all of the effect of monoply so far as some certain people are concerned; or where

chain stores for example put a new aspect on the status of competing merchants. This is something which may apply to people in all branches of economic activity —in manufacturing and distribution, among the professions, and in respect to the wage-earner. Whereupon a re-adjustment is likely to be necessary on the part of such people as happen to be affected. Sometimes such re-adjustment may occasion little or no inconvenience or loss, or it may result in the loss of a job, a vocation or of an entire business enterprise.

The displacement of human labor through the introduction of improved mechanical equipment, labor-saving devices, mass production, etc., has been the subject of much discussion. Unquestionably it is a serious matter for people, under any circumstances, to be cut off from their accustomed means of livelihood or source of supply, yet it happens that developments of this latter sort, as distinguished from those which are essentially monopolistic and restrictive, have had the effect of bringing into existence such a vast array of new enterprises, involving so many new things which naturally have to be done by or

through human effort or supervision, that the eventual demand for man-power and brain-power has been multiplied rather than curtailed.

Thus what might appear to be a competition between man-power and mechanical equipment may come to be more of a supplemental relation of immense value to the general public, though in some instances more or less disastrous to the individual who is deprived of his former vocation, depending upon how he reacts to the new conditions.

Here it again becomes essential to make a distinction between the individual, or his group, on the one side, and the general public on the other. The individual will get very little comfort out of the fact that the general public will profit so greatly by the use of the new type of equipment or new process. The most important thing confronting him is the fact that for the present he is out of work.

It is natural enough that people should resent and resist the introduction of new developments which will deprive them of their present job or destroy their business, or make it necessary for them to change their method of doing something—

until after they have been able to make satisfactory use of conditions growing out of the new development, or until after they have been picked up by the trend of the times and carried over into a new vocation and a better condition than they had before. Most people do not like to be coerced into doing something, or doing it in a certain way, or making an unwelcome change—whether the coercion is exercised by man or as the result of conditions. The railroads resisted the adoption of standard gauge track and the automatic car coupler—two of the most important and valuable factors in the development of railroading.

Inordinate resistance to some kinds or phases of new equipment and methods would be unfortunate, in view of the advantages which are likely to accrue through going along with the trend of the times, though people may not be able to foresee and apprecate those advantages at the time the changed conditions are forced upon them. It would be a very serious matter if the Country now should be obliged to go back to the use of methods which were employed fifty years ago. In this era of such marvelous scientific, mechanical and commercial develop-

ments it would seem particularly worth while for people to be on the alert to take advantage of new conditions as they come along—the manufacturer, the merchant and the wage-earner—each one, to see where he can fit into the new order of things to his best advantage—to make sure that he is not missing his golden opportunity through resisting, or neglecting to take advantage of the march of progress. Therein lies the importance of a more or less general training and adaptability, where that is possible and practicable, as distinguished from the popular tendency to specialize on some one thing. Some certain specialties of today may be obsolete tomorrow, or sometime later.

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The wage-earner may be in a better or in a worse condition than the employer. He may have a reserve laid by which will carry him comfortably over his period of unemployment and readjustment, or on the other hand he may be without work and without resources. The employer also may have sufficient resources to tide him over a business depression or readjustment, or both his business and his fortune may be swept away—in which case he

will no longer afford a market for either labor or commodities, and may be obliged to compete with the wage-earner in the sale of his own service.

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Sincere sympathy is due those who are thrown out of employment through the development of new mechanical equipment and processes, and every reasonable effort should be made to help them to re-establish themselves in the new conditions, not only from the standpoint of civilized human interest, but from the economic standpoint as well, for the sooner they become re-established, and the more money they may be able to make the more they will spend, thereby contributing to that extent to the general public prosperity.

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There are probably few phases of economic activities and relations which are not subject, in some degree, to changing conditions which are continually occurring in the various branches of industry, in commerce, in the arts and in the customs of the people, where new methods bring about new conditions. When one kind of labor or one kind of business is

superseded by another, then people in all walks of life, especially those who have to provide for their own economic responsibilities, will be obliged to adapt themselves to such activities as come with the trend of the times, and shift from one market to another, and from one method to another as opportunities and conditions shift. It is just as necessary for one as for any other. It does not matter whether a person is working for someone else—for wages, or is in business for himself—working for his customers. A letting down in volume of business is the same thing for the employer as unemployment among wage-earners. When the electric trolley car superseded the old-time horse car, the mule-driver had to learn to be a motorman, or find some other kind of a job.

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As man's vision broadens and he discovers new opportunities, with more and more things to be done—a larger market, so to speak, to be supplied, he naturally faces a necessity for enlarged production or means of service—whereupon nature comes to his assistance with infinite power in the form of a multitude of forces, together with miraculous processes. All

that man has to do is to learn enough about these forces and processes to be able to use them intelligently, and to develop equipment which will enable their application to his needs. It is only by the use of mechanical equipment and processes that man is able to exceed the limitations of human ability.

To such extent as human effort and ingenuity can be supplemented by mechanical principles and forces, man's accomplishment will be capable of almost inconceivable enlargement and refinement —in some instances comparable to magic or the supernatural. Hence there would appear to be every reason why he should welcome the opportunity to have his effort supplemented by such means—except for the inconvenience, in some instances, of being obliged to change from one vocation, or form of activity, to another.

The co-ordination of human effort and skill with mechanical power, equipment and processes has been one of the most important factors in enabling man to rise out of his primitive existence. The discovery of the principle of the lever, the screw and the wheel were early step-

ping stones in human development—and paved the way for and made possible the long train of basic, subsidiary and affiliated developments which have filled in the gap from that very early period up to the present time.

It is largely by the grace of these developments that labor has been lifted from the lash, and the condition of the galley slave and the serf of past ages, to the point where today the worker has become an upstanding, respected and self-respecting citizen—a man among men—and his work put upon a profitable commercial basis. As a rule men do not work in chain gangs today—although there may be circumstances here and there where the effect will be found to be much the same. The market for labor has become as well established among the activities of modern civilization as the market for anything else which happens to be the subject of exchange among people.

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Mechanical developments and improvements are accomplished primarily through the genius of relatively few people. The masses merely embrace their opportunity

to operate under the conditions brought about by the new development. As a rule the operator or workman does not design and develop the equipment with which he works. It is somebody else's genius that makes his work easier for him, more productive and more lucrative—and enlarges the market wherein he may sell his service. It is by the grace of somebody else's genius that so many farmers today are riding a tractor to do their plowing, instead of plodding behind a pointed stick drawn by a more or less domesticated animal, such as was used by the ancients for scratching over the surface of their fields; and so it is through somebody else's genius that people today are able to travel back and forth over the highways, in relative safety, at speeds undreamed of fifty years ago—and that the production of mills and factories has been multiplied through the use of new developments in mechanical power, and of mechanical equipment and processes.

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Mass production at low cost has the effect of enlarging the market and in-

creasing the demand. If it had not been for mass production processes made possible by labor-saving equipment, there would not be so many thousands of people employed in the textile industry today; and textile products would not be contributing in such an extensive and magnificent way to the comforts of the masses.

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Man's increased earning-power arising out of new developments will depend upon the degree to which he adapts himself to the resulting conditions. It is that ability in conjunction with the trend of the times which determines the status of every man. Unless he does develop himself to a point in keeping with the new conditions he will have done nothing to improve his condition.

The 'masses' will raise themselves to a higher level through a similar process of adaptation. The fact that so many people have been availing themselves of their opportunity to use and improve upon the wonderful scientific, mechanical and commercial developments which have so re-

cently come into existence, is another reason why the business of this country has grown to such a stupendous magnitude in so short a time.

The work which is being done by many mechanics and artisans in the course of their daily vocations is a marvel of achievement. There is an enormous amount of latent genius and spirit of enterprise residing among the masses.

The product of one genius becomes an inspiration to other people, who go on improving that product or developing still other things. Out of one basic development there may come scores and hundreds of other developments and enterprises conceived and executed by other people. So the whole process becomes cumulative, and will continue as long as, and to the extent that, the spirit of genius can be kept alive and active through whatever incentive may be in conjunction with opportunity.

If those men who invented and developed the internal combustion engine had been doing something else, we would not at this time have had the automobile, the flying machine and the long array of

activities which owe their existence and development to the basic idea of the internal combustion engine.

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Probably one of the most outstanding examples of the increase in general business growing out of the transition from man-power to mechanical power is found in connection with road-building equipment. Had it not been for the road-building equipment, we would not have had so many thousand miles of roads throughout the length and breadth of the country. It would not have been possible to construct all of those roads by the use of man-power and such facilities and methods as were available fifty or a hundred years ago. Aside from the many factors which might be expected to interfere with adequate mobility of the necessary man-power, it would not have been practicable to handle so many men, and take care of their physical requirements over such a wide range of territory as has been covered by the road-building activities; and the time involved, and the cost would have been prohibitory.

Without the roads we would not have had such a vast development in the auto-

mobile industry, which in turn has opened up new fields for economic activities which are almost bewildering in their scope.

One industry or enterprise may contribute more or less to the success of others. In some instances such interlocking or over-lapping of influence will be very far-reaching, and may be accomplished through organization and agreement, or sometimes it will come out of the relation of one activity to another, due to natural causes—for example; as commerce flourishes so will transportation and communication. The building of roads makes a market for slag, crushed stone, and cement—for concrete mixers and material handling equipment. The success of the automobile tire industry makes business for the cotton growers—its marketing, handling and so on through an almost endless range of economic activities.

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Labor-saving equipment, of and in itself, creates new demands for man-power and brain-power, not only in the manufacture, transportation and marketing of the equipment and the materials entering into

its construction—which by and large throughout the country constitutes a rapidly increasing volume of business, but also in its operation and maintenance it develops a still further very substantial market for human service, and this demand is likely to be for a higher grade of service, for much of this wonderful modern equipment would be of little value if it were not intelligently used.

Thus the trend of the times may crowd a workman into a job on a higher level, paying higher wages and involving better working conditions.

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If hod-carriers had to be employed in place of elevators and other material-handling equipment, pouring devices, etc. —in the construction of the mammoth sky-scraper buildings of today, we simply would not be able to have the buildings, nor the great volume of business which grows out of their construction, equipment, maintenance and occupation.

The man who used to carry the hod is not necessarily thrown into idleness by the introduction of the new equipment and

methods, for he now finds a new kind of work which must be performed by 'somebody' —a better grade of work, and usually at higher wages, for now mechanical power lifts the material, and it is mechanical power and equipment, directed and controlled by the workman, which places the material—an infinite improvement over climbing ladders all day with a hod on his shoulder.

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In harmony with the principles of proportion, it is only logical that methods, processes and equipment should be adapted to the size or quantity of the work to be done. It is upon this principle that mass-production is founded.

By the same token, there may be times when the crudest means and the slowest process will prove to be the most economical, as long as it is safe. In the industries and commerce there should be no justification for hazard to the human element.

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Mechanical power and equipment will be much cheaper than man-power, and capable of infinitely larger production, which in most cases will be more accurate

and uniform—but its use will be limited by the capacity of the market to absorb it.

It need not be feared that the market for man-power will ever be eliminated by mechanical equipment, for it would not be used, and mass production would not continue if the people did not have the resources with which to pay for them, as well as a disposition to use them. We find examples of this principle all about us, when business enterprises fall off in their operations to eighty-five per cent of their capacity, to sixty, fifty and forty per cent, and some of them passing through bankruptcy, because their product could not be sold in sufficient volume, and at a sufficient profit to support the well-being of the enterprise.

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Obviously there can be no adequate market unless the masses are engaged in profitable economic activities.

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When supply is increased through mass production or the introduction of new methods or equipment, it will become necessary to increase the market in at least an equal proportion.

The use of labor-saving equipment in most cases will bring about eventually a lower level of prices for its product, due to lower cost of production, a larger market, and greater possibilities and incentive for competition—thus the wage-earner will be able not only to secure a larger amount of money for his work, but also will be able to buy more of life's comforts than would have been possible if the labor-saving equipment had not been developed.

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It must not be expected that the march of progress in the development of civilization should be stopped in order that certain people may be protected from the vicissitude of having to make changes in their vocation; and the only practical answer is that those whose former activities are affected will have to avail themselves of such new opportunities as they may find growing out of the changed conditions.

We have to learn to get along with the trend of the times just as we have to get along with the varying weather conditions—the storm and the drouth. Most people are able to protect themselves in

greater or less degree from the effect of the weather, and some are able to protect themselves to a large extent against the adversities and vicissitudes growing out of the trend of the times.

The process will be attended by varying results with respect to the people affected. Some will readjust themselves very readily, utilizing the new conditions as a stepping-stone to greater achievements. Others may be barely able to maintain their former status, while still others never will readjust themselves, and may be carried down and under by the trend of the times. Their whitening bones, so to speak, will mark the path which civilization has trod.

It may well be asked, what becomes of those who, through changing conditions or for other reasons, are forced out of business—either manufacturers, merchants, or people engaged in professional or other work? How are they to meet their economic responsibilities? A similar question might apply to those people who are unable to coordinate with changing conditions, or whose service is not of acceptable quality, or who have certain characteristics which disqualify or unfit them for any ordinary vocation.

We do not have to worry about who is going to do the odd jobs of drudgery and the lower order of work. That will be taken care of by what people do or neglect to do in the development of their economic status—sometimes by what is done to them or for them by others, either directly or due to the trend of the times. In any event it is not going to be a process of selection. That lower order of work has to be done by somebody, and there always will be somebody who will be compelled to do it, owing to his status in life.

When a person does not know how to do what somebody wants to have done, he has nothing in the form of service to sell—or knowing how, if he is too lazy, or indifferent, or improvident to do it, he will be to that extent withholding his service from the market, and cannot expect to make a profit where he does not sell anything. Exactly the same thing will be true with respect to the manufacturer and the merchant. In either case, if his welfare depends upon his own effort he will be obliged to live on a lower scale than if he improved his opportunities to increase his resources through efficient and marketable activities.

When he has sufficient resources to enable him to live without working, or when somebody else is looking after his economic responsibilities for him, it will not matter whether he does any work or not—so far as the public is concerned.

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A definite quantity of wheat will go only so far in supplying the requirements of so many people. The same thing will be true, in varying degree, with respect to available economic activities, affecting people in all walks of life. But the far-reaching developments which are being made in methods and equipment have brought about a constantly increasing number and variety of things to be done, and a consequent elasticity of opportunity, so that it will be far easier to embark in a new enterprise, or to find a substitute for a lost job, than it would be to procure a satisfactory substitute for wheat. A requisite correlation between people and their opportunities, however, will not always be found to exist. Sometimes they may experience no little difficulty in bringing themselves to do certain kinds of work, or to engage in certain kinds of business

which happen to be available, or to move from one locality to another in pursuit of better opportunities. There are many people who apparently do not have the sagacity nor the spirit to change to a better market for their activities, but will continue to live under conditions where they can have nothing better than the lowest order of opportunity.

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If certain people did not try to do business on such a large scale they might not encounter so much competition. When too many people strive to get all of such business as happens to be available in some certain line, then naturally competition will be keenest. Sometimes the cultivation of a little new business may relieve the strain, and the cost, of trying to get too much of the current business away from competitors. The greater the volume and range of business the better chance there will be, ordinarily, for all. The high cost of greed sometimes brings failure to what might have been a comfortable business. Unwarranted ambition, beyond the chance of accomplishment has been the undoing of many people. So competition, like many other things, may function with wisdom or with stupid-

ity—it may function destructively as well as constructively. Sometimes it will be in the form of bitter antagonism—a piracy in the guise of business. War is essentially but a conflict of purpose, or of interests, developed to a state of violence.

Five Factors in Competition

There appears to be a more or less prevalent idea that competition is based primarily upon price-cutting; but an analysis of the subject discloses that there are five fundamental and legitimate factors involved in competition, any one or all of which may at times be responsible for the accomplishment of the sale, viz: price, terms, delivery, quality and personality. Speaking broadly, price may be considered as a sort of composite of all of those factors taken together—and in a sense it is; but when we stop to think, we may find an abundance of very good reasons for considering them separately.

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Longer terms of payment may compensate for a higher price. We find examples of that principle all about us, where people buy, for instance, on the basis of a dollar down and a dollar a week; they may pay

an exorbitant price, but are satisfied because they get a longer time in which to turn themselves, and at the same time have the use of whatever it is that they have purchased.

When a sale is made on the partial payment plan the seller will have that much of the buyer's future purchasing power tied up so that it will not be available to a competitor or to any other seller until after the debt is paid. It affords relief, to that extent against future competition.

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Delivery may have to do with the cost of transportation, or who pays it—whether the buyer or the seller; in this respect it will have a direct bearing upon the price; or, it may have to do with the time of delivery; and it may not matter what price someone quotes, if he does not have the material, and cannot get it in time to meet the requirements of the purchaser. He is out of the transaction, except for the psychology of his presence in the bidding.

This is where both the buyer and the other competitors must be on their toes to guard against unreliable or impractical

bidding. Time of delivery may sometimes be of as much importance as quality or price.

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The standardization of quality has an interesting sound, and the idea seems to be growing in popularity; but competition in the matter of quality should be fostered rather than restricted through standardization, because it is an entirely proper and legitimate factor in competition.

While standards for the determination of quality have a distinct value, yet 'standardization of products' is something different. When all products of a certain class are exactly alike, then 'quality' is eliminated from competition, and we are driven that much closer to competition on the basis of price. This might be an advantage to the buyer, but too much standardization tends to relieve people from the necessity of thinking, and that is bad for the mentality of the race.

To such extent as people are able to engage in competition upon the basis of quality and service, rather than price, trade will be raised to a higher level, and

will be more to the advantage of the general public.

It has been said that quality is the greatest handicap one can impose upon his competitor; so it is better to support prices by building up quality and service rather than by trying to tear down a competitor through price-cutting.

The man having the best quality or the best service can usually take the lead over his competitors—unless he happens to be tied up in an organization. Without going into a discussion of the advantages or disadvantages of organization this obviously is one place where organization might prove to be a hindrance.

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The buyer may be as much of a strategist as the seller; and without doubt many a salesman has met his undoing by taking too seriously some of the fairy tales or insinuations passed out to him, or overheard, in some purchasing office.

It is natural for a buyer, even when he is looking for quality, and wants quality, to try to buy at the lowest possible price —but usually he will pay what he has to

pay in order to get the quality which he wants. It may be presumed that most people will pay a fair price for an attractive quality. In all business transactions it is not so much a matter of what we pay as what we get for our money.

There may be times when quality will not be a factor on the part of the buyer. He would be foolish to pay a high price for the sake of getting a better quality, when the lowest grade, or quality, will serve the purpose for which he wants to use it.

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It is true enough that some people buy upon the basis of price alone, in which case it of course becomes necessary either to convert them to an appreciation of quality, or meet the price, or let them do business with someone else.

When people persist in buying on price alone it is most logical that inferior quality should drift in their direction. The competitive cutting of prices inspires the cutting of quality—obviously a movement in the wrong direction; and unless the quality of the product is maintained there may not be much good-will for anybody to bother about.

The more business is done by competitors at a loss the less will be done—because they will be headed toward the vanishing point.

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There are various kinds of buyers: those who buy upon the basis of the lowest price regardless of quality; those who know quality, and will pay a reasonable price to get quality; people who do not know quality, but want it, and have a notion that a high price is an indication of high quality. There are also people who pay high prices through their tendency to imitate other people, or to follow a custom, or through a sense of vanity, wanting to give other people an impression that they have large resources.

Quality is not always a matter of opinion. Placing of the order may be controlled by opinion, but it will not be conclusive with respect to quality.

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One cannot properly expect to make a a success in just any line of business, merely because somebody else has done so.

It is amazing to see how many people try to make a living in a market where they do not have any sort of a chance to succeed.

It may not be wise to embark in a highly competitive business unless the market situation in general would seem to assure a fair chance along with competitors, or unless the commodity or service is superior in quality to whatever might be already on the market. Then, instead of cutting prices with the hope of getting 'all' of the business away from somebody else, it might be better policy to sort out the best part of the trade—those who want a better grade or quality or service, and are willing to pay a fair price for it—and let the other competitors continue to fight over the balance of the business. It is apparent that this policy is pursued by many people. There is a great deal of business that is not worth the effort to get or to hold. The solution, of course, will not be so easy where one happens to be already engaged in a business which later becomes highly competitive.

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Notwithstanding the influence of the foregoing factors, it probably is true that

by and large throughout the world there is vastly more business done upon the basis of personality than upon the basis of all of the other factors taken together—where personal influence prevails over every other consideration. That may be exactly the reason why some people get certain business regardless of price, or terms, or delivery—and perchance, in some instances, regardless of quality.

Personality will be manifested in many forms, both individually and collectively, and has to do with character and prestige, rather than with personal appearance. Personality is that quality within a man which enables him to go out and get business in spite of competition. It may be manifested in an ability to understand both the customer and the conditions and and to manipulate each with respect to the other—it is something more than being able merely to blurt out the price. There is an art in salesmanship which is not easily acquired by 'everybody'.

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When two or more people are striving to secure an order it is obvious that it is not possible for more than one of them to

get it, unless it is split up and apportioned among various members of the group. While the others who are not thus favored may naturally experience a heart-ache or disappointment, it cannot always be assumed that the one who secured the order quoted a lower price. As a matter of fact his price may have been the highest quoted, and the order may have been placed on the basis of any one or more of the other factors above noted. People do not always buy upon the basis of price.

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There is a sixth factor in competition, which may not always be so legitimate. This is 'competition by coercion', through price fixing and market control—and it will be the same thing whatever the subject involved in the competition may happen to be. The principle will be the same, though sometimes there may be a difference in the crudeness or in the refinement of methods. Insisting upon reciprocal relations is another form of coercive competition.

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There may be a seventh or complimentary factor, involving the buyer's

relation to competition. He cannot always afford to buy at the lowest possible price, and upon the hardest possible terms, even though the low bidder may be responsible, and even though there may be no difference in the quality of the commodities or of the service or whatever he is buying—for fear of jeopardizing his most important source of supply. If that source of supply should pass into the hands of someone else he may have to pay a higher price than before, and may have to accept an inferior quality.

Cost of Production

Much has been said about the relation of the cost of production to the selling price. It should be remembered, however, that the cost of marketing may be as much of a factor for consideration as the cost of production—either may be greater or less than the other. But taking the two together they will represent whatever the seller has to pay to acquire whatever he is selling, and to place it in the hands of his customer.

Cost is merely incidental to the selling price and, outside of the realm of necessities, will have very little to do with the selling price, except in three respects:

1. The cost of production is always something to talk about when contending for—or against—the price asked.

2. It is important that the seller should know enough about his costs to be able to determine for himself how far he may care to go in meeting competition, or other conditions, such, for example, as the attitude of mind of the buying public, which sometimes may be as great a barrier to business as competition.

Naturally the greater the cost the higher price the seller must 'attempt' to get if he is to maintain his economic status, and the greater will be his tendency to demand a higher price. High costs will inspire high prices, and will serve as an argument for their support, but do not necessarily make high prices.

3. The cost of production may have a sentimental influence upon the buyer, who may reason broad-mindedly: "It costs so and so much to produce this thing. The seller of course must have a profit of some sort. It makes a pretty high price, but I guess we will have to pay it"—if he wants it badly enough; otherwise he is not interested, and there is no sale.

So the rule becomes easily apparent that the selling price is determined, in the final analysis, by 'how urgently the buyer wants to buy' and 'how urgently the seller wants to sell'; where those two lines cross is the selling price, regardless of the cost of production or of any other factor. That is exactly why so much more profit, or less profit, is possible on one article or line of goods than on another.

It will be observed that this rule or principle applies to all economic activities, and will help to account for the wide range of profits in so many lines of business, and in various localities.

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The buyer as a rule would naturally be more interested in the sales price than in the cost of production—but in the course of his negotiations he would be apt to make use of such information as he may have with respect to cost of production.

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It doubtless would be better business, where it is possible and practicable, to adjust prices according to the conditions of trade rather than on the basis of some

standardized formula. The one method calls for the exercise of seasoned discretion, while the other involves merely a clerical function, though the clerical function is indispensable where seasoned discretion is not available.

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There seems to be a more or less widespread theory that the maintenance of a high level of prices will contribute much to our prosperity. High prices will tend to promote the flow of buying-power as long as other related factors are in approximate balance; but when economic conditions have been such as to enable prices to reach an abnormally high level, then a lower level would tend to open the market to a vast number of people who have exhausted their resources to such an extent that they could not be active or substantial buyers at a higher level. The purchasing power of the masses will be on many different levels.

An adjustment of the range of prices to meet the buying-power of the public is a fundamental factor in business, and applies to the entire range of business activities—to service in all of its various

phases as well as to commodities. High prices as a rule tend to reduce the volume of business; but when they can be brought within the reach of a broader market, business may be enabled to move along in substantial volume, manifestly contributing to an increase of employment and stimulation of the flow of buying-power; to that extent promoting general prosperity.

The seller cannot ignore the matter of price, but there is an element of safety or compensation in the increased volume due to lower prices. When the selling price is forced beyond the ability or the disposition of the public to pay, the market will be reduced to a minimum of activity, and confined principally to necessities. That last dollar or last nickel in the matter of price is the most costly business we get, and the most elusive.

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Profit is the difference between the cost and the selling price. As the selling price is determined in the last analysis by whatever the public will pay, it follows that the measure of profit must logically depend upon the degree to which costs can be

reduced, or the market enlarged on the basis of a small unit profit.

Probably the first step toward a lower range of prices is to make an earnest effort to reduce costs. People have become so accustomed to the 'cost-plus' method of doing business that costs in some instances seem to be taken much as a matter of course and become a potent factor in maintaining high prices.

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Cost reduction is not always accomplished by means of cost accounting systems. Those systems may sometimes become destructive, as when they do not accomplish anything for the business beyond gratifying somebody's idle curiosity, or when they merely point out opportunities for the cutting of prices.

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Regardless of the cost of production, if there appears to be a reasonable chance for an attractive profit, the seller will continue to do business; but we cannot expect that people as a rule will go on frenziedly producing things which cannot be sold at a sufficient profit to warrant the effort and risk involved in the enterprise.

The higher the cost of production—in a period of active buying—the greater will be the flow of buying-power back into the hands of that portion of the public who have participated in the process of production by supplying materials or service, and the less will remain as profit in the hands of the seller.

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Improved methods may reduce costs and eventually enable the reduction of prices to the consumer trade; but the first function of improved methods will be to enrich the people who employ them. The reduction of prices may come later through the operation of other influences. There are three economic factors which contribute to lower prices—first, competition; second, the prospect of a broadened market with increased volume on a lower price level; third, the trend of the times. Sometimes there will be a conscientious motive arising out of consideration for other people—the masses.

The flow of buying-power, in conjunction with the trend of the times, probably has as much to do with the regulation of prices to the consuming public as the cost of production and marketing.

The more money is spent, and the wider the range of subjects for which it is spent, the greater will be the general prosperity of the masses. It is the constructive flow of buying-power, and the volume, which causes prosperity on the part of the masses—but it is the direction of the flow which affects individuals and their groups.

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The public will pay high prices when they want something badly enough, and have the requisite buying-power available. As long as enough people are lined up, with hand in pocket, waiting to pay high prices, and some of them apparently feeling sore or hurt if they are not charged high prices—and there are plenty of that type—or when somebody can get all the business he wants at the high prices—there will be no economic reason for reducing prices, except for a possible increase in volume to be obtained from a broader market.

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Prices are high, or they are low, by comparison, or by habit of thought, or in the light of either necessity on the

one hand, or opportunity for profit or pleasure on the other, or according to what we think we are getting for our money. The buyer's attitude toward prices may depend upon his relation to the commodity or service, or whatever else is being bought, as well as upon his economic condition.

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While deploring the evils of unwarranted and reckless price-cutting there would be probably as much of an evil in having them universally fixed and unchangeable. Weights and measures, of course, must be fixed and unchanging, because they pertain to things which are concrete; but there should be a degree of flexibility in prices, because values are bound to be variable—rising and falling along with the ever-changing moods, conditions or necessities of the people.

Organization

In the same sense that a piece of machinery or other mechanical equipment represents a co-ordination of forces sometimes capable of miraculous accomplishment—so the co-ordination of human forces and

activities makes possible some of the greatest achievements of modern civilization. Without co-ordination and co-operation many very worth-while things would be impossible of accomplishment. Hence it follows that organized co-operation in the orderly production and distribution of goods, as well as in the marketing of service, may have great possibilities for good, applying not only to the various interests comprising the organization, but to the public as well—provided no improper use is made of the economic power thus developed.

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Valuable as co-ordinated, large-scale activities have been in the development of our civilization as compared with disjointed and more or less erratic and irresponsible individual effort, yet it is quite possible that a combination of mass production, syndicated distribution and the elimination of competition through market control—if carried far enough—may tend to bring about a condition whereby a few people, having a monoply of supply or distribution, may be able to dictate their own terms, and thus build up an unwarranted dominion over the destinies of large groups of people.

Organization, or union, is supposed to strengthen the weak, but sometimes it weakens the strong.

When an organization uses its strength to over-ride the normal rights and interests of other people it becomes to that extent a destructive agency. Organization, or mass action therefore may be a power for good, or for evil, and may have the effect of either helping people forward or holding them back. The value of any force or power will depend upon the manner in which it is applied, related and controlled.

While it may not always follow, yet the larger the organization the more impersonal it is liable to become with respect to its consideration for the human element within or outside of the organization.

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It cannot be expected that so-called team work in business will be successful unless the human element involved is properly and adequately co-ordinated, which cannot always be accomplished, due to its complex variability both in temperament and in environment. Co-ordination is just as important in the

matter of human characteristics as it is in mechanical forces. Though the human characteristics may be somewhat more flexible than mechanical forces, they are likely to be more erratic and less dependable in their functioning. Co-ordination is something more than combination.

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There is naturally a fundamental and vast difference between organizations such as the various engineering and scientific societies, for the exchange of ideas, mutual development, the promotion of safety, or for the public welfare, on the one hand, and organizations for economic profit, on the other hand. One type is unselfish, while the other is essentially selfish. Though it may not always follow, yet organization for economic profit is likely to be for the benefit of one group over another—to induce an advantage on one side and a disadvantage in some degree on the part of some individual, or group, or the public, on the other. A trade association is likely to be of this latter sort—although certain trade associations may function essentially on the basis of the mutual welfare of its members—

with a degree of benefit to the public—in such matters as the development of improved methods of production, better quality of products, the suppression of unfair practices—assuming that they follow a fair interpretation of what is an unfair practice—and in the matter of trade extension through group advertising, etc.

Distinction should be made between organization for market development and organization for market control, through the suppression of competition or through price-fixing.

Organized mass production and syndicated merchandising naturally will tend toward standardization and limitation of variety—which corresponds to the modern expression 'simplified practice'. Such standardization and limitation of variety is logically subject to individual prerogative—as, if I find that something which I am manufacturing does not have a satisfactory market, I will be justified in discontinuing it, so far as I am concerned—but it would not be right for me to try to have everybody else discontinue it.

It is only when limitation of variety is made universal, through organized agreement, that it becomes an evil.

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To such extent, however, as limitation of variety is accomplished by organized and more or less wide-spread agreement the more harmful it may become to the public, for the natural result will be that regardless of what the people may want they will be able to get only what happens to be produced and distributed through organized agreement and standardization. Then, because there is a tolerant spirit among people, and a disposition to adapt themselves more or less to the conditions with which they find themselves surrounded, there would be a tendency toward a limitation in the variety of human wants—a stride backward instead of forward. Manifestly a civilization develops through the expansion rather than through a restriction of the range of human wants.

While so-called simplified practice and standardization of forms and processes will have a strong appeal to the imagination, and a very considerable element of value, particularly to producers and distributors, and in many cases changes can

be made from one kind or size to another without serious inconvenience to the public, yet the tendency will be to enable certain people, through the development of facilities for mass production and syndicated distribution, growing out of such standardization, to monopolize various things pertaining to those simplified practices.

For just one example—through uniform billing on standard forms, the local job printers naturally will lose a large amount of business in the printing of the individual forms heretofore in use.

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Most products will naturally and logically become standardized to the point of adaptation to the conditions which happen to exist in the places where they are to be used. It is not likely, in these days, that one would presume to go very far in arbitrarily setting up new standards of his own, with the expectation that the world would come to them. When standards are developed they should be for some other purpose than the elimination of competition.

Many of the modern developments in production and distribution are of distinct value to the general welfare until they are over-done or abused, which is something that may not always happen; but in case it does occur, then the larger the organization and the more far-reaching its activities the greater will be its destructive effect. As between syndicated buying and syndicated selling, there may be as much oppression on one side as on the other. There may be attempted oppression on both sides.

In order that a community, a nation or a civilization may achieve the highest state of development, there should be cultivated a wide diversity of demand, as well as of supply and facilities for supply.

When production and distribution are in the hands of a large organization, with its operations covering a wide area and a large population, its relation to the public will be different from that of a small enterprise, because in the event of failure or other interruption of its activities more inconvenience and hardship will be occasioned to the public than in the case of a small business where the trouble would not be so wide-spread.

A sharp distinction should be made between those things which are general, or distributed, in their effect and those on the other hand where the effect is individual.

The relation of each person to any general condition is individual, as when he is blown along by the wind, or if his property is destroyed by wind or flood—if he is overcome by the heat of the sun, or is drenched by the rain, or if he freezes from the cold—the effect will be individual so far as he is concerned, and will not be apportioned among the mass.

The same thing will be true with respect to his relation to economic conditions. When an enterprise fails, the financial loss may be apportioned among a great many people who have invested more or less of their resources in its ownership, but that portion of the loss which is sustained by each person will be individual. It may be but a very small part of the whole, but it may sweep away his entire resources.

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From the standpoint of the relation of supply to demand—as between the

'individual buyer' and the 'organization seller'—where the organization happens to be the only, or the principal source of supply to the individual—then the loss or hardship to the individual buyer is measured in terms of what he has to do to procure a new source of supply, or to tide over an interruption of supply—as in the case of the financial failure of a dairy business, or when the milk supply is cut off on account of a controversy with organized producers in the agricultural district, or due to labor troubles or to a breaking down of transportation facilities, or whatever the cause may be, the consumer's hardship is individual—his family is without milk—his babies are hungry—his condition becomes desperate because of lack of a diversity of milk supply.

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An organization is made up essentially of the human element. There is always liable to be some sort of incompatibility between individuals, which sometimes may be temperamental—sometimes due to the relation of one or the other to various other interests, conditions or people. When the organization has all of the business of its kind in a more or less extensive

area—then in case such incompatibility should exist, and one of the individuals is able to dominate or influence the organization in a sufficient degree—the other person is going to be, so to speak, out of luck, because there would be nobody else within the area with whom he could have satisfactory dealings, regardless of how worthy he may be, or how much justice might happen to be on his side. This point may be considered in terms of one individual or in terms of any proportion of the entire population.

Hence the aim should be to make possible enough diversity of economic activities so that facilities may be available to all of the people to carry on their ordinary or normal activities without unnecessary or unwarranted interference or control on the part of other people.

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While large business is an important factor in the economic development of a nation, and should be given every reasonable opportunity to thrive, yet it becomes equally important that small business should be safeguarded, so far as may be practicable, not only for the purpose of encouraging and meeting a wider range

or diversity of demand, but also in order that each individual may have an opportunity to play his part and perform his natural functions on both sides of supply and demand, through production, service and exchange.

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Organization may be for the purpose of rendering more service or a better service, or for the purpose of controlling markets through a control of marketing conditions.

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Distinction should be made between mass production, or mass distribution, in the hands of an individual enterprise competing in the open market, on the one hand, and an organized monopoly on the other hand—with competition crushed out.

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Organization among competitors for the purpose of apportioning and controlling markets, adjusting supplies and fixing prices may be very profitable to producers and distributors, yet it may also impose

unwarranted hardships upon the masses—through over-standardization of commodities, methods of distribution, etc.

Such organization may occur among either producers or distributors, or both—or, the market control may be effected through regulative codes or licensing schemes, some of which may have real merit in behalf of the public welfare, or they may be primarily and essentially for the benefit of certain producers, distributors or other economic interests—though supported by public sentiment induced, perchance, by various kinds of propaganda calculated to appeal to the emotions rather than to reason.

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It may not always be appropriate to do everything which we may be able to do for the promotion of our own interests, without due consideration for the rights and interests of other people. It is just as uncivilized for the buyer as for the seller to impose unfair or unreasonable conditions or unwarranted hardships upon other people—regardless of what the subject of the exchange may be—just because they have it within their power to do so. Any form of prosperity coming from or

through destructive or pernicious agencies, or disaster to other people should not be sought nor encouraged. We should not want prosperity which comes through misfortune to other people. Neither an individual nor a nation will be warranted in pursuing a policy of 'prosperity at any price'.

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We are likely to think of most any subject, not necessarily in terms of what it is, but rather in terms of our conception or ideals with respect to it. So, when people who are in a position to make a display of their power, talk about putting prices up and making the consumer pay, it is reasonable to suppose that they are thinking of that portion of the consumer trade who appear to have plenty of money, and can well afford to pay.

But the term 'consumer' takes in the whole range of human existence—from the people of such great wealth that it may not matter particularly what they pay for whatever they buy—on down through the various levels of economic conditions, where people, ambitious to get ahead, try to safeguard their resources

to that end—and that lower level where frugal, self-respecting people endeavor to live decently on a meagre income—and those on a still lower level who are waging the battle of life in a realm on the border line of starvation. The term 'consumer' must embrace and include all of these different levels of human existence.

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When we encounter so many evidences of apparently wide-spread prosperity, we may easily get an impression that everybody is prosperous. But people who lived long ages ago discovered and recognized the fact that 'the poor will always be with us'. It is just as true today as it was the first time the expression was uttered. So, notwithstanding all of the prosperity and plenty which is being so largely enjoyed in this country there will be found great numbers of people who are living in as primitive a manner as those who lived a century ago, due to the fact that they simply do not get enough money to enable them to procure those marvelous modern conveniences and refinements which are in such common use by others.

When commodity prices are high the consumer or user trade has to have that much more buying-power from some source, and those people who find accomplishment unattainable, or slipping away from them, will experience increasing difficulty in meeting the exactions of an unfeeling or unthinking world, intent upon 'prosperity at any price'.

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Those who are getting high wages and large profits can perhaps afford to pay higher prices for what they buy in proportion to the degree of their prosperity—one condition balancing the other.

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In some respects the consumer or user trade may be classified according to what it buys—as, for instance, choice and rare works of art, fine jewelry, etc., are bought usually by the very wealthy, and the price may be whatever the purchaser will pay; for the market for such things naturally would be limited largely to that class of trade. This will be true with respect to many other things, but when it comes to commodities, service, etc., which may be

essential to the welfare of people living on the lower levels of economic condition, then such people should be taken into consideration in construing the term 'consumer'.

There may be no proper justification for ignoring the normal rights and welfare of people just because they are poor. Poverty may result from many different causes. It may be due in some instances to lack of development, or to wasteful improvidence—to the wrongful act of others, and sometimes to the trend of the times, shifting of employment conditions, etc.

No matter how big a wave may be, the crest is only the top part of it.

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People may be rich in intellect and character, but poor in economic resources. Others may be rich in economic resources but destitute of the finer attributes of character, intellect and culture. Probably most people are somewhere between the two extremes. There is little uniformity in the attributes of human nature, just as there can be no such thing as equality in the matter of economic resources—or 'distribution of wealth'. In a broad

sense, wealth is not distributed—like throwing corn to the chickens—it has to be acquired. It is something for which most people have to work; but that is too big a subject for discussion at this time.

In harmony with the natural law of balance, therefore, the consumer or ultimate user will be entitled to as much consideration as the producer or the distributor, regardless of what the subject of the exchange may be, for he also is paying rent and taxes, and is in other ways helping to support the economic activities of the civilization in which he lives. He should have as good a right to profit from the vicissitudes of commerce as that the producer and dealer should profit from the vicissitudes of the consuming public. The economics of our country should be adjusted, so far as possible, to give those people who are in modest circumstances a chance, thereby avoiding a situation where the tendency would be for the rich to become richer and the poor to become poorer.

The balancing of rights among producers, distributors and consumers may not be easy to accomplish, because of the complex, diverse and interwoven relations existing among the people making

up the various classes and groups. If one of them is to be favored over the other, who is going to determine which one? It becomes a matter of pitting one human being against another. It is reasonable to assume that such a balanced relation never will be accomplished with any near approach to complete justice on all sides.

Big and Little Business

The economic activities of a civilization range from shoe-strings and the most trivial and insignificant forms of production, trade or service, and 'part-time' activities—small second-hand and repair shops, push-carts, and other forms of small-scale operations—on up to the most gigantic corporations, and then on to the business of a nation. Probably most people are somewhere between those extremes, and it is obvious that infinitely more people are doing business on a small scale than upon a large scale.

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The people in all walks of life—from the lowest order of human existence to the highest—are supported from the profits made from all of these various forms of enterprise, in the process of producing and exchanging the things which they have, and the service which they can render, for other things and services better suited to their use—or which can be passed on to other people at a profit.

Each form of legitimate and constructive business, whether small or large, rightfully has its place in the economic activities of a nation, and is entitled to due respect and protection. The public welfare does not depend upon the elimination of either big business or small business. There are advantages to the public in having both. A large enterprise can do some things that would not be possible or practicable for a small one; while on the other hand it may happen that a small enterprise, because of its smaller and less cumbersome set-up, may be able to do certain things more easily and to better advantage than a large one. Sometimes an individual may do better work by himself than in connection with other people—depending upon his characteristics and the attending conditions. Either a large or a small enterprise may have greater stability than the other, and serve the public interest to better advantage.

Some enterprises or projects may constitute a real contribution to human comfort and well-being by making available to the masses new opportunities which will compensate for the loss of others taken away, and for the development of the economic resources required for the support of enlarged living conditions growing out of such new enterprise or project—as, for example, where the incandescent lamp replaces the old-fashioned oil lamp and tallow candle, and in the development of modern facilities for travel, transportation and communication, together with the marvelous advance which has been made in manufacture and commerce, due to new methods, equipment and processes—all of which have brought into existence a wide range of new economic activities, new opportunities and markets for the exchange of human effort and enterprise whereby the masses have been raised to a higher plane of living conditions.

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The greater the marketing possibilities in any line of industry or commerce, the greater will be the number of people who will want to engage in it. After

some commodity or some service has become established on the market and a large volume of business developed through the cumulative efforts of competitors, then it might be quite natural for somebody to dream about what a wonderful thing it would be to exclude or control competition by developing it into a monopoly. Hence we have the merging of various competitive interests, the elimination of others, and the introduction of new types or methods of marketing, designed to give some individual or group certain advantages over others. Sometimes the public may participate, temporarily at least, in certain resulting advantages.

It is but natural that large enterprises should develop out of small ones; and in many instances competitors may merge with or acquire the interests of each other without any gross injustice to the public. The wholesome growth of business enterprise should be encouraged rather than restrained. There are some types of big business, or collective business, however, that make it impossible for the smaller or individual enterprise to survive.

The most logical purpose of business expansion is to increase earnings or to improve its stability. But when legitimate business expansion is discouraged the public will be deprived of the benefit of such additional business activity as would have resulted.

Some projects are not capable of as much expansion or organization as others. There may be as much hazard in over-expansion as in not enough. The same will be true with respect to organization.

Certain enterprises may develop through co-operation and association, or they may tend merely toward a monopolistic restriction of opportunities formerly enjoyed by people in general.

The general public may derive a very great benefit through the operation of some monopolies, or may suffer grave disadvantages through others.

Some large-scale operations naturally become more or less monopolistic as with trunk-line railroads operating over long distances, and where parallel lines would not be commercially practicable.

Large-scale operations in transportation are essential to the convenience and

welfare of the public. Obviously it would not be expedient or convenient for people to be obliged to change from one railroad to another every hundred miles or so—either in the matter of passenger travel or in the shipment of freight—nor to depend for its local transportation upon a number of competing and non-transferring street car lines. Parallel street car lines would contribute to congestion of traffic; and the problem now is, as it will continue to be, to provide the greatest possible facilities for transportation with the greatest economy and least congestion or other inconvenience to the public.

It would be equally inconvenient and troublesome to have to depend upon a number of competing and non-co-operating telephone systems, or other means for communication, which would tend toward a limitation or disruption of service. Where a public utility provides continuity of service upon a fair basis it probably will be preferable to a broken or disrupted service upon any basis. Any co-ordination or combination of activities which gives to the public greater or better facilities for supplying its needs, either in the matter of commodities, transportation, communication or other service, will promote the

public welfare—even though it may involve a monopoly of those activities, and even though the enterprise may prove profitable to its management and its stockholders. Unless it is profitable it cannot be expected to survive.

Public utilities unquestionably present an example of monopoly which will be of constructive advantage to the public—as long as their powers are not abused.

A monopoly operating under a public franchise naturally should be subject to a reasonable degree of governmental supervision—not for the purpose of preventing it from making a profit, but rather to guard against an unwarranted abuse of its privileges. It seems reasonable that an economic enterprise should be entitled not only to earn a fair return on its money investment, but also upon the brain-power, skill and spirit devoted to the enterprise and service rendered to the public.

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The value, or the danger, of a monopoly from the standpoint of the public welfare, will depend much upon the nature or subject of the monopoly, and the character

of the people who control its policies and operations. The subject of the monopoly may be of the utmost importance to the consuming or user public, or it may be of but insignificant importance.

A monopoly of anything worth while naturally develops an economic power, which may be used constructively or destructively. Its effect will depend upon its relation to the necessities or the happiness or the comfort of the people affected.

There are constructive monopolies and destructive monopolies—and monopolies of coercion, violence and terror—applying to either the buying or the selling of commodities, mechanical power, man-power or to anything else which may happen to be the subject of exchange between people.

When a combination, trust or monopoly is fair, reasonable, peaceful and constructive in its policies and activities it may have every warrant for existence and encouragement; but when it takes on the opposite characteristics, and becomes unfair, unreasonable, militant, coercive, over-reaching and predatory, it loses its warrant for existence, regardless of the nature of the organization or of its purpose. That is to say, to such extent as

it gets away from the spirit of the golden rule it departs from the principles of civilization.

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In view of the fact that the most fundamental needs of mankind are food, clothing and shelter, then on the broad principles of human welfare, a question may properly be raised as to how far the trader element ought to go in the manipulation of markets with respect to commodities ordinarily employed in serving those needs.

The trader class may become an artificial barrier between the producer and the user, due to exactions in either or both directions, instead of being a connecting link to bring them together; and the high cost of distribution may sometimes produce the same effect.

When prices are controlled through trade associations then the association should be charged with the responsibility of readjusting prices to a lower as well as to a higher level whenever justified by the trend of the times—thus avoiding abuse of their power derived through organization.

The fluctuation of prices on farm products is one of the vicissitudes of the times, just as it is with any other line of business. In co-operative marketing the managing directors of the marketing league automatically assume the role and perform the essential functions of traders, because they constitute the point of contact between the producers and the consuming public.

It is entirely proper for us to study the laws of nature with respect to supply and demand and learn to apply them in such manner as will best serve the interests of the civilization in which we are living. It is only through their misapplication and misuse that trouble, hardship and distress occur. While that spirit of wanting to get 'all' of the business in their line—regardless of the normal rights and interests of other people—is by no means universal, it is not confined to any one class of people, but applies in greater or less degree to the manufacturer, the merchant, the employer and to the wage earner—individually and collectively.

There is a responsibility on the part of the individual to think and act with proper consideration for other people—the masses.

Principles of Civilization

Conflicts of purpose must be expected to occur in human relations. The problem will be to keep them restrained within the bounds of order and fair dealing. A spirit of honor, self-respect, and sportsmanship will have a wholesome influence to this end. This is also where the golden rule is supposed to function, as the prime factor in civilization, tempering self-interest to the point of a reasonable consideration for other people.

While, from the standpoint of economics and science, a civilization may be measured by the degree in which the laws, forces and processes of nature are utilized—yet the spiritual or emotional phase of civilization will be measured by its respect for and observance of the principle of the golden rule—which marks exactly the point of cleavage between barbarism and civilization—where man recognizes and respects the normal rights and interests of his fellow-men, just as he in turn expects his own rights and interests to be recognized and respected by other people.

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It is apparent that there are two phases of the golden rule, the first being predica-

ted primarily upon an adjustment, compromise, balancing or exchange of rights —like the balancing of any of the laws or forces of nature, and may not extend beyond the point of co-operation for mutual benefit upon the basis of balanced rights and interests as where one does unto others as he would have others do unto him. Hence 'rights' as such may be regarded as the lowest order of civilized relations.

In the second phase, however, modern civilization goes on developing a spirit of service and sacrifice for the benefit of other people—as when, without any obligation, and without any hope or expectation of recompense, one does something for the benefit of somebody else, or refrains from doing something which would injure somebody or interfere with his normal rights or interests.

Unquestionably there are a great many people who are making a genuine effort to follow as closely as possible the spirit of the golden rule in their manifestation of consideration for other people—though that effort will be subject in some degree to the reaction encountered from those other people—for not even the high ideals

and spirit of civilization can be expected to completely disregard the principle of self-preservation, which is recognized as being the first law of nature.

That higher phase of civilization which proceeds beyond the balancing of rights and obligations may develop to any degree of interest in behalf of certain people in particular, but need not go beyond the manifestation of reasonable consideration in behalf of other people in general. So, while people may not feel a direct responsibility for the economic welfare of everybody in particular, there doubtless should be a responsibility to refrain from invading their normal rights.

We do not have to make matters worse for people by imposing upon their misfortune, their lack of development, their weaknesses or emergencies.

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To such extent as the masses are protected from exploitation, and are given a chance to be self-supporting, the better will be the morale, and the higher and more substantial will be the character of the community and of the nation.

Naturally barbarism was one of the earliest forms of human relations where, in common with other things in nature, force and violence became the most natural means for supporting the principle of self-preservation.

In the realm of barbarism people do not work, produce, serve, distribute, and exchange in order to get what they want, but proceed to take it by force and violence or by subterfuge or by other means without regard to right or wrong. The usurpation of the normal rights of other people is a natural attribute of barbarism, while civilization, on the other hand, involves a restraint of self-interest and a tendency toward balanced relations in accordance with the spirit of the golden rule.

The operation of the principle of the golden rule is wonderfully exemplified in the modern regulation of traffic at highway intersections—where the people are at liberty to travel back and forth as often as they please as long as they alternate that right at stated intervals and places with other people desiring to cross their path. This will be recognized as a fundamental principle in man's relation to man, in the realm of civilization.

Because the laws regulating traffic at the crossing of highways appeal to the average person as being just and reasonable it follows that they usually will be observed by a majority of the people, just as any reasonable law or regulation will always be likely to have the support of a majority of the people—while certain other people, true to their barbaric spirit, and those who are undeveloped, the irresponsible and the thoughtless, will dash through in violation of signals, thereby usurping and ignoring the natural rights of other people—taking what they want because they want it. Such people must be regarded as being, in varying degree, a menace to the welfare of the public.

It is especially at the crossing of the highways of life that we find human nature classifying itself in many ways, according to its predominating characteristics.

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As civilization is a development up out of barbarism, the two never will be completely separated, and the difference between them naturally will be but a matter of degree, with conflicts ranging

up and down through all forms of human activities, inspired by barbaric instincts —with selfishness, coercion and violence as more or less dominant attributes.

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There may be a distinction between civilization and culture—they do not always go hand in hand. Barbarism may develop a degree of culture without having the fundamental attributes of civilization. Much may be done in the name of, or under the guise of civilization that will be essentially barbaric in its character. A great many examples of barbaric characteristics will be found within a so-called civilization—among people who apparently have very little interest in or respect for the principles or the spirit of the golden rule. This also is something which must be expected, because in any great civilization there will be found all of the varying kinds, degrees and grades of people, from the highest order of intelligence and culture down to the lowest, most sordid and depraved. All of these people will have their own varying ways of supporting their economic and social relations with their fellow-beings.

Sometimes objectionable types of people can be eliminated from certain phases of business and social relations; some others can be kept under a degree of restraint, but it is not practicable, in a country like the United States, to control people as absolutely, nor to eliminate the undesirable to the extent that might be done with inanimate substances. That is to say, except for the commission of certain crimes, they cannot be killed off, nor caused to float somewhere out in space away from contact with what might be termed the better element. All of them are going to make their appearance somewhere and in some manner in economic and social relations, bringing with them such peculiarities and characteristics—trained or untrained—as may happen to make up their individuality; and they must be taken into consideration in the conduct of the business of a community or of a nation. We must think of the business of a nation in terms of a cross-section of the masses. A general standardization of people is obviously impossible of accomplishment, because they have too many varying characteristics and interests to admit of very much effective standardization. Certain natural laws and conditions have to be observed in

dealing with people, as in dealing with anything else—as, for example, in mathematics where fractions have to be reduced to a common denominator before they can be added, subtracted or multiplied. Things have to be more or less alike before they can be properly classified or standardized. It would not be an easy matter to bring fish, birds, sheep and mules to any common standard. In many instances human characteristics are just about as divergent.

We may ponder over the differences in human conditions and relations, and try to figure out a blending which would tend to eliminate or reduce those differences. It is probable that the process ultimately would consist of the grouping of certain characteristics or conditions, and then classifying the people in accordance with those characteristics or conditions. But when the process is completed, unless the various groups should happen to have enough of those characteristics or conditions in common to outweigh every other difference, and so constitute a class, there would be no comprehensive or workable classification of 'people'. It would be a classification of conditions rather than a classification of people. Furthermore, human relations

could not be stabilized in accordance with such a blending or classification, because people do not always remain stable; although they might sometimes become more or less stabilized in groups or classifications from the standpoint of economics, society, politics or religion when it is made impossible or impracticable for them to get out of the group or classification, as in the case of certain systems of caste which exist in various parts of the world; but such segregation or isolation may not always promote happiness.

People classify themselves in certain respects, however, through the manifestation of their characteristics, exactly as all of the elements in nature are classified—so when they want to be regarded as civilized it is essential that they should put a suitable curb upon their barbaric instincts.

There always have been, and probably always will be ruthless and unscrupulous buyers as well as ruthless and unscrupulous sellers, of both service and commodities—taking advantage of their power, or of their situation, to create unfair conditions for their fellowmen with the hope of promoting their own interests—

people who try to make a living by trafficking in human emergencies. Yet notwithstanding the fundamental spirit of self-interest in the functioning of economic activities, there is a great deal of tolerance in competition, involving a broad-minded co-operation and good will. There have been many instances of competitors uniting to assist one of their number who happened to be in adversity. As the spirit of civilization develops there also develops a greater and greater degree of consideration for the other fellow, and fairness in business relations.

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The incentive of self interest is so strong that in many instances—particularly outside of the realm of the higher order of civilization, as exemplified in the spirit of the golden rule—a very great force or influence may be required to keep it under reasonable restraint. Sometimes it may be a moral force—respect for or fear of the law, or of God—or it may be some other type of fear. Whenever such restraint is removed it may be expected that the instinctive incentive will re-establish itself.

The cultivation of civilizing influences is the great responsibility of those people who would make this a better world in which to live. This however must be done, not by over-stepping primary principles, or advocating altruistic theories which may be practical enough in certain places and under certain conditions, though not adapted for general standardization among the masses.

While sentimentality is an important factor in the prosperity and happiness of man, yet it is the realities of life which ultimately control our destinies, and they will be whatever they happen to be when the forces and processes of nature and environment come along to fill up the gaps and catch up the loose ends of whatever man may have done or left undone in the performance of his contribution to the trend of the times. Much time is spent in dreaming about impractical ideals—trying to substitute sentimentality for the realities of life.

Care should be exercised to avoid confusing 'principles of civilization' with enterprises for the exploitation of the public—or monopolizing, grouping or controlling business activities so as to make them inaccessible or unavailable

to worthy portions of the people, thereby depriving them of their natural and normal right to participate in the economic activities of the world in which they live.

Relation of Government

When governmental authority or prestige—national, state or municipal—is made available to groups for the purpose of controlling markets or marketing conditions, or to create artificial markets primarily for the benefit of certain portions of the people, or in which the general public may have eventually a greater or less participation, then particular care should be exercised to provide adequate safeguards for the natural rights and interests of both the consuming public and of those other people who, for reasons of their own, may not care to participate in the collective enterprise. There may be a question as to how far such governmental authority or prestige should be made available to private interests without adequate safe-guards to protect the public from improper manipulation and abuse.

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The proper function of government is to afford protection against abuses and

unfair practices to such extent as it may be able to do so—having due regard for the natural and normal rights of the people, individually as well as collectively, to control their own activities so long as they do not unduly interfere with the basic rights of other people.

Government sometimes may be regarded as something ideal, impersonal and immaculate, incapable of doing wrong; but every government has to be administered by 'people', possessing human virtues and human weaknesses, which will be like those of other people. No government will be better than the character of the people who happen to be charged with its administration, in conjunction with the character of the influences to which they may be subjected upon the part of certain other people, and the trend of public sentiment. The quality of a government will be in the nature of a resultant or composite of all of these characteristics.

Laws are not ideal and immaculate for similar reasons. Too much, therefore, should not be expected with respect to the character and operation of laws. Law observance, and respect for the law, are not likely to be on any higher plane than the

human element involved in law-making, or in law administration, or in a cross-section of the people. The tendency will be for laws, like people, to stand or fall in accordance with their merits, although in some instances certain laws may carry along over a period by the influence of emotion, or by leadership or by group psychology.

Respect for certain laws and disrespect for others cannot be said to be altogether a matter of selection of the laws which are to be observed and those which will be disregarded. Such laws as prove to be unpopular always will be difficult of administration. Laws will be respected when their character commands respect, and there is a great deal of difference between commanding and demanding. In other words, the laws should be worthy of respect. Those which are designed to safeguard the normal personal rights and property rights of the people, individually as well as collectively, are fundamental and therefore always will have the respect of the masses in general.

Abuse of law-making power inspires resistance, from which socialism and communism derive encouragement and support.

If man-made laws are to rest upon any stable foundation they must provide for the balancing of conflicting rights, responsibilities and obligations—in accordance with the great scheme of nature.

When we get too far away from the principle of the golden rule, we approach a spirit of barbarism, and there are times and places where it seems apparent that the undeveloped element in humanity is holding its own in a substantial degree against the advance of civilization.

Liberty of action does not carry with it a license to override or invade the normal rights of other people; and by the same token, freedom of speech and freedom of the press are like freedom of the highway or other public property—for use, but not for abuse—thus there logically should be natural limitations which might be properly imposed upon liberty for purposes of equalization among the masses.

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A nation never will be able to eliminate destructive influences completely, and the most that can be done will be to keep them within reasonable regulation. Sometimes a difficulty may arise in determining

whether something really is destructive or not—owing to the over-lapping of interests among individuals or groups. In such cases it is probable that the decision should be based upon the manner or the degree in which it balances with the normal rights of people in general, together with its effect upon the rational development or progress of civilization.

When people undertake to make use of the prestige of 'governmental impersonality' and authority to advance certain interests or ideals, the effect may be highly constructive and beneficial to the public, or it may become deplorably destructive—just as the value or the hazard of any force depends upon its direction, application and control.

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That community or nation will be most prosperous which provides the greatest freedom and security to individuals and groups to acquire and hold economic resources through the various processes of production, service and exchange.

When natural human incentives to produce and exchange, or to participate in other ways in economic activities, are

discouraged or stifled by governmental restrictions, confiscation of profits, or lack of protection with respect to property rights, or other natural human rights, or when such restraint is accomplished through the selfish and unwarranted interference of other people—individuals or groups—then the trend of public welfare to that extent will be backward.

The greater the prosperity of the people the greater will be the resources available through taxation for the support of governmental activities—with less hardship upon the people.

The wealth of a government like the United States must come from taxation, or through the levying of duties and fees, or through the exploitation of the public domain and of natural resources.

It has happened from time to time that various governments have acquired resources through conquest of other nations, but wars of such a character inspired by barbaric instinct, may be expected to become less and less popular along with the development of the higher principles of civilization.

There is an analogy between conquests on the part of nations, and acts of coercion,

extortion, oppression and exploitation on the part of individuals and groups.

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Wars of conquest may be for the acquisition of natural resources, or land for cultivation and habitation; they may be for the purpose of acquiring political dominion, or for the establishment of routes for travel and transportation. As people become more highly developed in the principles of civilization, the more likely they will be to attempt the acquisition of such things as they want by the process of negotiation, exchange and purchase.

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One of the resources sometimes obtained through conquest has been the enslavement of the conquered people, enabling low cost production, to be sold in other parts of the world. Their 'domestic' market would have to depend upon the extent of the economic activities carried on by their own people through production, service and exchange, for it is almost only through such activities that buying-power gets into the hands of the masses.

People who are oppressed or enslaved would not constitute a market of substantial size or value because of their limited purchasing power.

The masses will languish, in an economic sense, in any country where private enterprise does not flourish.

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In view of the magnificent prosperity which has been achieved in the United States under the policy of protection of human rights, and fostering and encouraging private enterprise—where the people have to such a large extent every right and opportunity to prosper through doing business with each other—we appear to find abundant justification for the theory that the people of a community or of a nation should be regarded from the standpoint of constituting a 'market', rather than merely as a supply of 'cheap labor' to be exploited by a favored few.

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The standardization of supply and demand will always be something for certain people to dream about, in the same

sense that they will dream about being able to live without working, or about equality in the distribution of wealth, the elimination of poverty, etc., but like all of those other conditions it never can be achieved among the masses in general because of the natural variability among people, together with the further fact that people cannot be controlled to the same degree as inanimate things or living creatures outside of the human race.

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It cannot be logically presumed that every business should be operated primarily for the benefit of the public, but within the realm of civilization it may be expected that the public should be accorded reasonable consideration at the hands of business, then the business will be more likely to enjoy greater permanence of prosperity and good-will.

It is equally logical that business should be accorded reasonable consideration at the hands of the public.

When people get to the point of recognizing the principle and spirit of the golden rule, they will be ready to build up a

civilized relationship upon a foundation of mutual respect. Then they become fit to associate with each other—serving each other and supplying each other's wants, to the advantage and profit of both.

Advertising Pages

The Thompson Electric Co.
Allison J. Thompson, Pres.
1438 WEST 9th STREET
CLEVELAND, OHIO, U. S. A.

INTENTIONAL SECOND EXPOSURE

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Regardless of how little your light costs

—can you afford to let dirty reflectors waste half of it?

Accessibility is the greatest problem in reflector cleaning.

THOMPSON
Safety Lowering
HANGER

solves this problem by making the lamps easily, safely and quickly accessible down

on the ground, both for the renewing of broken or burned-out bulbs, and the frequent cleaning of the reflectors.

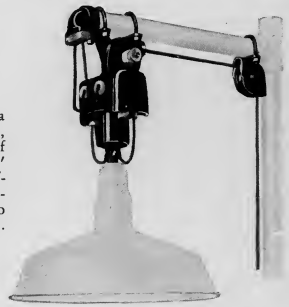
No Climbing or Electrical Hazards

No dangling wires—and the chain may be in conduit if desired.

For both indoor and outdoor use—inexpensive and easily included in the present lighting system.

Thompson Hanger

No. 93-A, with a reflector attached, showing method of installation on 1¼" pipe bracket - with U-bolts No. 51, Bracket End No. 12-15; also Corner Pulley No. 50-B.



Servicing of overhead lamps in and about mills, shops, train-sheds, etc., is so important that its neglect may cause the

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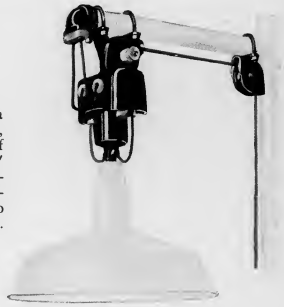


Servicing of overhead lamps in and about mills, shops, train-sheds, etc., is so important that its neglect may cause the

loss of half of the light which we know the bulb is producing.

A clean reflector will save pretty nearly all of the upward rays by reflecting them down into the working area—but a dirty reflector does not possess any reflecting properties.

Consider the value of good illumination in your work

The Thompson Hanger promotes continuity of lighting service in industry —it encourages frequent cleaning, which tends toward maximum illumination at lowest cost.

Our new 32-page Catalog B-29 may help you solve some lighting problems

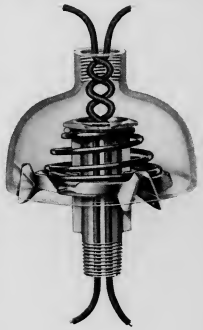
THOMPSON

VIBRATION ARRESTER—*or*

SHOCK ABSORBER

Prolongs the Life of Costly Electric Light Bulbs

THIS device is exceedingly simple in design, having but four parts—a spring and three malleable castings. Aside from a screw driver, there is probably nothing which will loosen a screw like vibration, and it was felt that so far as possible they should be eliminated from the design of a shock-absorber. There is not a screw or bolt in the Thompson device; yet the parts are so interlocked that the lamp would not fall even if the spring should ever become rusty and break.



The spring is of conical, or bee-hive form, permitting the coils to nest down inside of each other, thus providing a floating, pivoted support for the lamp-fixture, regardless of the direction of the vibration, and a maximum of movement within a

minimum of vertical space. For this same reason, the spring will take care of a wide range of lamp-fixture weights.

Upon the principle that when it is not practicable to totally enclose something so as to keep the dirt out, then it should not be enclosed in such a way that the dirt will be kept in. It was with this principle in mind that both the Thompson Shock Absorber and the Thompson Lamp - Lowering Switch, or Hanger have been so designed that while both are storm and dirt-proof from above, they are open underneath, so as to permit the dirt to escape through the bottom of the device.

Our Shock Absorber may be used either with or without the Thompson Lamp Hanger

A shock absorber should be selected so that the resilient limits of the spring will be about

as far above as below the weight of the lamp fixture.

Write for details with respect to various models.

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A few of the reports which have come to us:

The records of one large plant show that the Thompson Shock Absorber prolongs the life of the lamps 150 to 500 per cent—under all the varying conditions throughout the plant, from gantry cranes on down.

Another plant estimates the average increase in the life of bulbs at 250 per cent. Still another plant reports that records show an average of 300 per cent.

A lamp hanging under a railroad bridge alongside of a blast furnace, was subjected to so much vibration that a bulb would seldom last more than a week. After installing the lamp on a Thompson Shock Absorber the bulb was changed once in several months.

The conditions in one department of another plant were so severe that the bulbs frequently had to be changed two and sometimes three times in a day. After putting them on Thompson Shock Absorbers they have been lasting thirty to sixty days.

Due to a violent jarring condition, a 500-watt lamp hanging over a set of steel mill rolls, had to be renewed twice or three times in 24 hours. After the lamp-fixture was put on a Thompson Shock Absorber the bulb lasted more than two months.

All of the above reports are from steel mills where heavy-duty equipment of all kinds is particularly essential.

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